

SCOMI GROUP BERHAD
(COMPANY NO: 571212-A)

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2007

	30-Jun-07 RM'000 Unaudited	31-Dec-06 RM'000 Audited
ASSETS		
Non-current assets		
Property, plant and equipment	420,395	409,312
Intangible assets	493,546	552,888
Investment properties	1,711	1,782
Prepaid lease payments	4,552	4,196
Investment in Associates	363,333	367,818
Investment in Jointly Controlled Entities	19	19
Amount due from jointly controlled entities	5,054	5,171
Other Investment	1,457	990
Deferred Tax Assets	4,930	8,860
	1,294,997	1,351,036
Current assets		
Inventories	253,063	294,454
Receivables, deposits and prepayments	652,751	624,416
Tax Recoverable	5,200	7,161
Short-term investment	11,000	7,750
Short-term deposits, cash and bank balances	223,971	300,787
	1,145,985	1,234,568
Assets of disposal group classified as held for sale	21,899	-
Total current assets	1,167,884	1,234,568
Total assets	2,462,881	2,585,604
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	101,265	100,535
Treasury shares	(6,320)	(3,364)
Share premium	236,652	233,823
Other reserves	(41,301)	(45,964)
Retained profit	493,357	307,346
	783,653	592,376
Minority interest	123,879	44,622
Total equity	907,532	636,998
Non-current liabilities		
Long term borrowings	894,715	1,084,882
Deferred taxation	7,900	8,149
Retirement benefit obligation	4,223	4,162
Provision for redundancy	2,142	2,192
Other Payables	70,196	76,045
Total non-current liabilities	979,176	1,175,430
Current liabilities		
Trade and other payables	391,449	484,279
Short term borrowings	125,614	245,865
Provision for redundancy	707	3,304
Taxation	35,163	39,728
Dividend Payable	11,089	-
	564,022	773,176
Liabilities directly associated with the assets of disposal group classified as held for sale	12,151	-
Total current liabilities	576,173	773,176
Total liabilities	1,555,349	1,948,606
Total equity and liabilities	2,462,881	2,585,604
Net assets per share attributable to equity holders of the parent (RM)	0.76	0.58

(The Unaudited Condensed Consolidated Balance Sheet should be read in conjunction with the Audited Financial Statements for the year ended 31st December 2006)

SCOMI GROUP BERHAD
(COMPANY NO: 571212-A)

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE PERIOD ENDED 30 JUNE 2007

	Note	Individual Quarter		Cumulative Quarter	
		Current Year Quarter	Preceding Year Quarter	Current Year Period Ended	Preceding Year Corresponding Period
		30-Jun-07 RM '000 Unaudited	30-Jun-06 RM '000 Unaudited	30-Jun-07 RM '000 Unaudited	30-Jun-06 RM '000 Unaudited
Revenue	A8	492,586	348,936	928,707	675,397
Cost of sales		<u>(353,458)</u>	<u>(248,080)</u>	<u>(663,624)</u>	<u>(476,966)</u>
Gross Profit		139,128	100,856	265,083	198,431
Other income		146,734	13,885	154,063	15,966
Operating expenses		(86,143)	(73,553)	(170,057)	(137,027)
Finance costs		(21,489)	(18,771)	(43,817)	(33,836)
Share of profit in jointly controlled entity		(375)	-	(618)	-
Share of profit in associates		<u>4,695</u>	<u>6,122</u>	<u>10,977</u>	<u>10,033</u>
Profit before taxation	A8	182,550	28,539	215,631	53,567
Taxation	B5	<u>(8,295)</u>	<u>(4,882)</u>	<u>(13,642)</u>	<u>(11,105)</u>
Profit for the period		<u><u>174,255</u></u>	<u><u>23,657</u></u>	<u><u>201,989</u></u>	<u><u>42,462</u></u>
Attributable to:					
Equity holders of the parent		171,048	20,013	197,100	36,082
Minority interest		3,207	3,644	4,889	6,380
		<u><u>174,255</u></u>	<u><u>23,657</u></u>	<u><u>201,989</u></u>	<u><u>42,462</u></u>
Earnings per share	B13	sen	sen	sen	sen
- Basic		17.04	2.00	19.65	3.62
- Diluted		<u>16.55</u>	<u>1.94</u>	<u>19.09</u>	<u>3.51</u>

SCOMI GROUP BERHAD
(COMPANY NO: 571212-A)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 JUNE 2007

	Share capital	Share premium	Treasury shares	Exchange Fluctuation Reserve	Share Option Reserve	Hedge Reserve	Retained Profits	Held for Sale *	Total	Minority Interest	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1st January 2007	100,535	233,823	(3,364)	(57,881)	11,917	-	307,346	-	592,376	44,622	636,998
Foreign exchange difference	-	-	-	(9,759)	-	-	-	-	(9,759)	-	(9,759)
Net income/(expense) recognised directly in equity	100,535	233,823	(3,364)	(67,640)	11,917	-	307,346	-	582,617	44,622	627,239
Net profit for the period	-	-	-	-	-	-	197,100	-	197,100	4,889	201,989
Dividend for financial year 31st December 2006 - Final	-	-	-	-	-	-	(11,089)	-	(11,089)	(2,341)	(13,430)
Total recognised income and expense for the period	100,535	233,823	(3,364)	(67,640)	11,917	-	493,357	-	768,628	47,170	815,798
Issue of shares pursuant to:											
- Private placement	-	-	-	-	-	-	-	-	-	-	-
- Bonus issue	-	-	-	-	-	-	-	-	-	-	-
- Exercise of share options	730	2,829	-	-	-	-	-	-	3,559	-	3,559
Recognition of share-based payments	-	-	-	-	3,580	-	-	-	3,580	-	3,580
Shares repurchased	-	-	(2,956)	-	-	-	-	-	(2,956)	-	(2,956)
Shares of reserves in subsidiaries and associate	-	-	-	6,726	-	-	-	-	6,726	(1,179)	5,547
(Dilution)/Accretion of minority interest	-	-	-	-	-	-	-	-	-	77,888	77,888
Cash flow hedge	-	-	-	-	-	4,116	-	-	4,116	-	4,116
At 30 June 2007	101,265	236,652	(6,320)	(60,914)	15,497	4,116	493,357	-	783,653	123,879	907,532
* No income or expense have been recognised directly in equity relating to the assets classified as held for sale											
At 1st January 2006	99,208	231,748	-	(13,888)	6,028	-	227,129	-	550,225	45,904	596,129
Foreign exchange difference	-	-	-	(7,257)	-	-	-	-	(7,257)	-	(7,257)
Net income/(expense) recognised directly in equity	99,208	231,748	-	(21,145)	6,028	-	227,129	-	542,968	45,904	588,872
Net profit for the period	-	-	-	-	-	-	36,082	-	36,082	6,380	42,462
Dividend distribution to minority shareholders	-	-	-	-	-	-	-	-	-	(1,648)	(1,648)
Total recognised income and expense for the period	99,208	231,748	-	(21,145)	6,028	-	263,211	-	579,050	50,636	629,686
Issue of shares pursuant to:											
- Private placement	-	-	-	-	-	-	-	-	-	-	-
- Exercise of share options	1,163	1,404	-	-	-	-	-	-	2,567	-	2,567
Recognition of share-based payments	-	-	-	-	3,779	-	-	-	3,779	-	3,779
Shares repurchased	-	-	(991)	-	-	-	-	-	(991)	-	(991)
Acquisition of Subsidiaries	-	-	-	-	-	-	-	-	-	(608)	(608)
At 30th June 2006	100,371	233,152	(991)	(21,145)	9,807	-	263,211	-	584,405	50,028	634,433

(The Unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the year ended 31st December 2006)

SCOMI GROUP BERHAD
(COMPANY NO: 571212-A)

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE PERIOD ENDED 30 JUNE 2007

	6 months ended	
	30-Jun-07	30-Jun-06
	RM'000	RM'000
	Unaudited	Unaudited
Cash flows from operating activities		
Profit before taxation	215,631	53,567
Adjustments for:		
Depreciation	30,794	25,693
Amortisation	124	96
Allowance for doubtful debts and bad debts written off	590	(44)
Provision for obsolete stocks	471	(970)
Share option expense	3,580	3,779
Unrealised loss/(gain) on foreign exchange	2,440	(12,183)
Gain on disposal of property, plant and equipment	(566)	(270)
Share of profit in associates	(10,977)	(10,033)
Share of loss in jointly controlled entities	618	-
Gain on disposal of an interest in a subsidiary	(140,046)	-
Interest expense	43,817	33,836
Interest income	(3,121)	(347)
	<hr/>	<hr/>
Operating profit before working capital changes	143,355	93,124
Changes in working capital:		
Inventories	40,920	(27,689)
Trade and other receivables	(25,504)	(108,043)
Trade and other payables	(132,630)	11,201
	<hr/>	<hr/>
Cash used in operations	26,141	(31,407)
Tax paid	(13,129)	(7,701)
Interest paid	(1,026)	(1,310)
	<hr/>	<hr/>
Net cash generated from/ (used in) operating activities	11,986	(40,418)
Cash flows from investing activities		
Acquisition of subsidiaries and minority interests	(30,823)	-
Proceeds from disposal of an interest in a subsidiary	342,533	-
Purchase of property, plant and equipment	(58,438)	(58,051)
Proceeds from disposal of property, plant and equipment	2,909	556
Increase in other investment and intangible assets	(10,876)	(10,000)
Repayment of Other Payables	(25,334)	(4,584)
Interest received	3,121	791
	<hr/>	<hr/>
Net cash generated from/ (used in) investing activities	223,092	(71,288)
Cash flows from financing activities		
Issue of share capital arising from the exercise of ESOS	3,559	2,567
Issue of ordinary shares of a subsidiary to minority shareholders	1,626	67,335
Acquisition of treasury shares	(2,956)	(991)
Net proceeds from/(payments of) short term borrowings	(54,211)	(4,606)
Payment of hire purchase/lease liabilities	(2,545)	(2,335)
Proceeds from term loan/bonds	3,239	157,900
Repayment of term loans	(237,814)	(16,569)
Interest paid	(38,535)	(35,155)
Increase in Short term Deposit pledged as Security	(18,512)	(36)
	<hr/>	<hr/>
Net cash (used in)/generated from financing activities	(346,149)	168,110
Net (decrease)/increase in cash and cash equivalents	(111,071)	56,404
Cash and cash equivalents at beginning of period	217,879	58,160
Currency translation differences	(3,750)	-
	<hr/>	<hr/>
Cash and cash equivalents at end of period	103,058	114,564
<u>Cash and cash equivalents comprise:</u>		
Fixed deposits placed with licensed banks	107,044	58,441
Cash and bank balances	118,212	90,795
Bank overdrafts	(77,815)	(13,636)
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	147,441	135,600
Less: Short-term deposit pledged as securities	(44,383)	(21,036)
	<hr/>	<hr/>
	103,058	114,564

(The Unaudited Condensed Consolidated Cash Flow Statement should be read in conjunction with the Audited Financial Statements for the year ended 31st December 2006)

PART A: EXPLANATORY NOTES AS PER FRS 134

A1. Basis of preparation of interim financial reports

The interim financial statements are prepared in accordance with the requirements of the Financial Reporting Standards ("FRS") 134: "Interim Financial Reporting" issued by the Malaysian Accounting Standards Board ("MASB") and paragraph 9.22 of the Bursa Malaysia Securities Berhad's ("Bursa Malaysia") Listing Requirements and should be read in conjunction with the Company's annual audited financial statements for the year ended 31st December 2006.

Up to 31 December 2006, the Group's consolidated financial statements were prepared in accordance with MASB Standards with effective dates before 1 January 2007. The significant accounting policies adopted for the interim financial statements are consistent with those in the audited financial statements for the year ended 31st December 2006 except for the following new/revised FRSs which the Group has adopted for the financial period beginning 1 January 2007:

FRS 117	Leases
FRS 124	Related Party Disclosures

The Group has not adopted FRS 139 Financial Instruments: Recognition and Measurement as its effective date has been deferred.

The adoption of the new/revised FRSs does not have significant financial impact on the Group. The principal effects of the changes from adoption of new accounting policies are disclosed as follows:

- a) FRS 117 Leases (effective for accounting periods beginning on or after 1 October 2006): Prior to 1 January 2007, leasehold land held for own use was classified as property, plant and equipment and was stated at cost less accumulated depreciation and impairment losses. The adoption of the revised FRS 117 has resulted in a change in the accounting policy relating to the classification of leasehold land. Upfront payments made for leasehold land are now classified as prepaid lease payments and amortised on a straight line basis over the lease term. The Company has applied this change in accounting policy retrospectively.

As a result of the adoption of FRS 117, comparative amounts as at 31 December 2006 have been reclassified as follows:

	As previously stated RM'000	FRS 117 (note A1(a)) RM'000	As restated RM'000
At 31 December 2006			
Property, plant and equipment	413,651	(4,339)	409,312
Prepaid lease payments	-	4,196	4,196
Receivables, deposits and prepayments	624,273	143	624,416

A2. Qualification of financial statements

The preceding year annual financial statements were not subject to any qualification.

A3. Seasonal and cyclical factors

The group's results were not materially affected by any major seasonal or cyclical factors.

A4. Unusual and extraordinary items

There were no exceptional and/or extraordinary items affecting assets, liabilities, equity, net income or cashflows during the current quarter under review.

A5. Material changes in estimates

The Group makes assumptions concerning the future and other sources of estimation uncertainty at the balance sheet date including impairment of intangible assets, depreciation on property, plant and equipment, and deferred tax assets that could arise from unused tax losses and unabsorbed capital allowances.

There were no material changes in estimates reported in the current quarter under review.

A6. Issuance and repayment of debt and equity securities

Save as disclosed below, there were no issuances, cancellations, share buy-backs, resale of shares bought back or repayment of debt and equity securities:

(a) Employee Share Options Scheme ("ESOS")

During the six-month period ended 30th June 2007, the issued and paid-up share capital of the Company increased from 1,005,352,300 ordinary shares of RM0.10 each to 1,012,651,800 ordinary shares of RM0.10 each by the issuance of 7,299,500 new ordinary shares of RM0.10 each pursuant to the exercise of options granted under the ESOS at the option prices between RM0.17 and RM1.12 per ordinary share.

(b) Treasury Shares

For the six-month period ended 30th June 2007, the treasury shares of the Company increased from 3,425,900 to 5,819,900 with the repurchased of 2,394,000 of its issued ordinary shares from the open market at an average price of RM1.23 per share. The total consideration paid for the repurchase including transaction costs was RM2,955,955 and this was financed by internally generated funds. The shares repurchased are being held as treasury shares in accordance with Section 67A of the Companies Act 1965.

A7. Dividends Paid

No dividend was paid for the six-month period ended 30th June 2007.

A8. Segmental Information

Primary reporting format - business segments

	Oilfield Services RM'000	Energy & Logistics Engineering RM'000	Production Enhance- ment RM'000	Energy Logistics RM'000	Investment Holding RM'000	Elimination RM'000	Group RM'000
2007							
<u>Revenue</u>							
External sales	687,509	178,746	33,254	27,599	1,599		928,707
Inter-segment sales	-	25,416	674	3,312	19,471	(48,873)	-
Total revenue	<u>687,509</u>	<u>204,162</u>	<u>33,928</u>	<u>30,911</u>	<u>21,070</u>	<u>(48,873)</u>	<u>928,707</u>
<u>Results</u>							
Segment result	83,117	22,720	1,177	616	154,634	(16,296)	245,968
Finance income							3,121
Finance cost							(43,817)
Share of result of associated companies	290			10,687			10,977
Share of result of jointly controlled entities	(618)						(618)
Profit before taxation							<u>215,631</u>
Taxation							(13,642)
Profit after taxation							<u><u>201,989</u></u>
2006							
<u>Revenue</u>							
External sales	533,571	104,690	18,875	16,622	1,639		675,397
Inter-segment sales	3,884	4,649	-	3,497	10,762	(22,792)	-
Total revenue	<u>537,455</u>	<u>109,339</u>	<u>18,875</u>	<u>20,119</u>	<u>12,401</u>	<u>(22,792)</u>	<u>675,397</u>
<u>Results</u>							
Segment result	53,200	18,613	1,377	2,019	6,160	(4,346)	77,023
Finance income							347
Finance cost							(33,836)
Share of result of associated companies	291			9,742			10,033
Share of result of jointly controlled entities	-						-
Profit before taxation							<u>53,567</u>
Taxation							(11,105)
Profit after taxation							<u><u>42,462</u></u>

A9. Valuation of property, plant and equipment

There is no revaluation of property, plant and equipment, as the group does not adopt a revaluation policy on property, plant and equipment.

A10. Significant events completed subsequent to the quarter under review

There were no significant events subsequent to the end of the current quarter save for what has been disclosed in note B8.

A11. Changes in composition of the group

- (a) On 14 March 2007, KMC Oiltools (Cayman) Ltd, a subsidiary of the company via KMC Oiltools Bermuda Limited, in turn a subsidiary of the Company, incorporated a company known as Scomi Oiltools Services Kish Limited in Kish Island, Islamic Republic of Iran as a private joint stock company. The authorized share capital is 5,000,000 Iranian Rials and the paid up capital is 5,000,000 Iranian Rials.
- (b) On 15 March 2007, the Company acquired 95,000 ordinary shares of RM1.00 each, representing 95% issued and paid up share capital in Abad Elit Sdn Bhd (currently known as Scomi KMC Sdn Bhd, name changed w.e.f 30 March 2007). The cost of investment for the acquisition was RM95,000.00.
- (c) On 3 April 2007, a subsidiary of the Company, Scomi Engineering Berhad ("SEB") completed the acquisition of an additional 40% equity interest in a subsidiary company, Scomi Transportation Systems Sdn Bhd (formally known as Mtrans Transportation Systems Sdn Bhd) ("MTrans"), comprising 10,400,002 ordinary shares of RM1.00 each for a consideration of RM25 million.
- (d) On 20 June 2007, a subsidiary of the Company, SEB acquired the balance 9% equity interest in MTrans, comprising 2,340,000 ordinary shares of RM 1.00 each for a consideration of RM5.625 million following which MTrans becomes a wholly owned subsidiary of SEB.
- (e) On 27 June 2007, through an internal restructuring, KMC Oiltools Bermuda Limited which was a wholly-owned subsidiary of the Company, became a wholly-owned subsidiary of Scomi Oilfield Limited ("SOL"), which is in turn a subsidiary of the Company.
- (f) On 27 June 2007, the Company completed its divestment of 19.9% in the respective classes of the share capital of SOL, a direct subsidiary of the Company, to Standard Chartered Private Equity Limited for a cash consideration of USD99.50 million pursuant to which the Company's shareholding in SOL has reduced to 80.1%.

A12. Contingent liabilities

Details of contingent liabilities of the Group as at 30th June 2007 are as follows:

	RM `000
Guarantee relating to borrowings of associates	59
Guarantee relating to borrowings of jointly controlled entity	7,935
Share of contingent liabilities of an associate	<u>8,553</u>

A13. Capital and operating lease commitments

Authorised capital commitments not provided for in the financial statements as at 30th June 2007:

	Approved and contracted for RM`000	Approved but not contracted for RM`000
Acquisition of shares in Anticor Chimie S.A. (Put and Call Option) *	697	-
Property, plant and equipment	92,043	34,283
Others	1,034	-
Total	93,774	34,283

* This is the minimum payment of €150,000 as stated in the Put & Call Agreement to acquire the remaining balance of 20% shareholding in Anticor Chimie S.A. in three tranches.

Operating lease commitments:

Future minimum lease rental payable	Due within 1 year	Due within 1 & 5 years	Due after 5 years
	RM'000	RM'000	RM'000
Property	11,455	19,530	9,850
Plant and Machinery	1,322	3,802	2,650
Others	1,553	2,943	10
Total	14,330	26,275	12,510

A14. Related Party Transactions

The followings are the significant related party transactions:

	2nd Quarter ended 30-June-07 RM'000	Year -to-date 30-June-07 RM'000
<i>Transactions with companies with common Director(s)</i>		
- chartering of marine vessels	12,700	22,661
<i>Transactions with an associated company</i>		
- management fee charged	1,050	1,600
<i>Transactions with a company connected to a Director</i>		
- Purchase of airline ticketing services	1,084	1,188

A15. Disposal Group Held for Sale

On 20th March 2007, a subsidiary of the Company, Scomi Engineering Bhd, had entered into a share sale agreement to dispose of its subsidiary company, Scomi Transportation Solutions Sdn Bhd, which in turn holds a wholly-owned subsidiary Asian Rent A-Car Sdn Bhd (collectively known as the "SCOTS Group") as further disclosed in note B7 (f). SCOTS Group is engaged in the business of the provision of motor vehicles for "Hire and Drive" and fleet management which are non-core businesses to the Energy & Logistics Engineering Division.

The major classes of assets and liabilities of the subsidiary group classified as held for sale as at 30th June 2007 are as follows:

Assets	RM'000
Property, plant and equipment	12,142
Intangible assets	6,381
Deferred tax assets	279
Receivables, deposits and prepayments	1,016
Short-term deposits, cash and bank balances	1,285
Tax recoverable	<u>796</u>
Assets of disposal group classified as held for sale	<u>21,899</u>
Liabilities	
Trade and other payables	680
Taxation	512
Borrowings	404
Hire purchase creditors	<u>10,555</u>
Liabilities directly associated with the assets classified as held for sale *	<u>12,151</u>
Net assets attributable to disposal group classified as held for sale	<u>9,748</u>

* The liabilities under the disposal group do not include inter-company balances within Scomi group of RM6,057,000 as the amount has been eliminated at group level upon consolidation.

PART B: ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA SECURITIES BERHAD'S LISTING REQUIREMENTS

B1. Review of performance for the quarter ended 30th June 2007

B1 should be read in conjunction with A8 above.

The group recorded turnover of RM492.6 million for the quarter ended 30th June 2007, compared to RM348.9 million for the corresponding quarter in 2006, with approximately 93% of the turnover contributed by two key divisions, namely, Oilfield Services Division and the Energy & Logistics Engineering Division. All divisions reported growth in turnover.

The bulk of the increase in turnover was contributed by the Oilfield Services Division which generated revenue of RM356 million for the quarter ended 30th June 2007, representing an increase of RM 93 million compared to the corresponding quarter in 2006. The increase was largely due to increase in drilling fluids and drilling waste management activities in all regions with Europe, Malaysia and West Africa performing favourably.

The Energy & Logistics Engineering Division recorded revenue of RM101 million, representing an increase of RM 40 million as compared to the corresponding quarter in 2006. The increase came from the Machine Shop operations which had orders from customers in the Middle East and the buses contracts secured under MTrans.

The Product Enhancement Division recorded revenue of RM20 million, representing an increase of 67% over the RM12 million recorded in the corresponding quarter in 2006. The increase came from increase sales in chemicals as well as the CPOC contract secured under the Scomi NTC JV.

Net profit for the current quarter was at RM171.1 million, lifted largely as a result of the one off gain from the Group's divestment of 19.9% in Scomi Oilfield Limited ("SOL") which is detailed in note B8(b) below. The proceeds from the divestment were used to reduce borrowings and this helped to reduce the Group's net gearing from 174% to just 100%.

Excluding the one off gain, net profit from operations was at RM31.0 million, recording a 55% increase from RM20.0 million reported in the corresponding quarter in 2006.

B2. Variation of results against preceding quarter

The group achieved a turnover of RM492.6 million for the current quarter ended 30th June 2007 compared to RM436.1 million in the preceding quarter ended 31st March 2007.

The group achieved a net profit of RM171.1 million for the current quarter ended 30th June 2007 compared to RM26.1 million in the preceding quarter ended 31st March 2007.

In comparison to the preceding quarter, revenue for the current quarter is higher at 13% whilst the net profit for the current quarter is substantially higher by 557%, due to the one off gain from the divestment. Excluding the one off gain, net profit for the second quarter showed an increase of 19% over RM26.05 million reported for the first quarter. The improved performance came from the Oilfield Services and Energy & Logistics Engineering Divisions.

B3. Current year prospects

The **Oilfield Services Division** is expected to benefit from the expansion plans made by the Group in the last two years particularly in Russia where demand for equipment is running very high. In the Middle East and Asia regions, emphasis is placed on building the relationship with the National Oil Companies ("NOC") where many of the new bids and tenders are coming from these companies. In Nigeria, as demand for the machine shop business picked up considerably, the investments made in a new machine shop will commence operations by the end of the year.

The **Energy & Logistics Engineering Division** expects the Machine Shop division's contribution to increase in the second half of 2007 as the opening of new machine shops in Irian Jaya, Saudi & Johor Bahru will provide the additional capacity to fulfill the increased demand for the Machine Shop services. This division has plans to invest in the technology for deep water connectors which is expected to be in demand for deep water operations.

Scomi Transportation Systems Sdn Bhd (formally known as Mtrans Transportation Systems Sdn Bhd) is expected to contribute to the Group's results from contracts secured for the Bus and Monorail units. The Logistics Engineering Division is also expected to benefit from the various projects announced by the Government to improve the urban transportation systems which is anticipated to spur the demand for buses and rail/monorail systems and services. Other than participating in the local front, this division has also submitted proposals for monorail projects in Vietnam and Saudi Arabia.

The **Production Enhancement Division** will continue to focus on developing technologies and applications beyond its current conventional uses. Other than the collaboration with National Tank Company and acquisition of Anticor, the Group is in the final stage of acquiring the technology to recover oil from sludge and oil based mud. These acquisitions and collaboration will provide the necessary research and development for the Group to pursue new markets and grow the business in this area.

The **Energy Logistics Division** which focuses on two core business of marine logistics services and offshore support services will continue to concentrate on the South East Asia and Middle East regions.

Whilst the offshore support services continues to capitalize on the strong demand for oil to undertake the fleet rationalisation as older vessels are disposed and 6 new deep water vessels are to be delivered from 2008 (via CH Offshore), the marine logistics services will continue to improve its fleet efficiency with emphasis on reducing cycle time and cost control.

With these plans in place for FY 2007, this division is expected to record good results, especially in the Malaysian and Indonesian market.

B4. Variance of actual and revenue or profit estimate

On 23 March 2007, an announcement was made by the Company in relation to a statement on SGB Group's expectation of 50% growth in revenue in 2007.

For the 6 months ended June 07, the revenue for the Group increased by 38% compared to the performance for the corresponding period in 2006. The increase would have been higher at 44.3% if the Dollar against the Ringgit had not weaken from an exchange rate of 3.72 in 2006 to an average of 3.49 in 2007. Notwithstanding, based on historical trends, the performance for the second half year is expected to be better than the first half provided the Dollar does not weaken further against the Ringgit.

Aside from the Dollar/Ringgit exchange rate impact and assuming there are no external factors affecting the market conditions of the countries where the Group operates in, the Directors are of the opinion that the Group is likely to be on track to meeting its revenue growth for 2007.

B5. Taxation

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 30-Jun-07 RM`000	Preceding Year Quarter 30-Jun-06 RM`000	Current Year Quarter 30-Jun-07 RM`000	Preceding Year Quarter 30-Jun-06 RM`000
Current tax:				
Malaysian income tax	4,008	500	4,339	924
Foreign tax	4,158	4,044	9,692	9,654
	<u>8,166</u>	<u>4,544</u>	<u>14,031</u>	<u>10,578</u>
Under/(Over)provision of Malaysian income tax in prior years	132	355	(516)	145
	<u>8,298</u>	<u>4,899</u>	<u>13,515</u>	<u>10,723</u>
Deferred tax	(3)	(17)	127	382
Total income tax expense	<u>8,295</u>	<u>4,882</u>	<u>13,642</u>	<u>11,105</u>

A reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group is as follows: -

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 30-Jun-07 %	Preceding Year Quarter 30-Jun-06 %	Current Year Quarter 30-Jun-07 %	Preceding Year Quarter 30-Jun-06 %
Malaysian statutory tax rate	27	28	27	28
Tax effects of:				
- income not subject to tax	(22)	(5)	(20)	(5)
- different tax rates in other countries	(1)	(5)	(1)	(1)
- under/(over) provision in respect of previous years	-	1	-	-
- unrecognised tax loss/unabsorbed capital allowance	(2)	(5)	(4)	(5)
- expenses not deductible for tax purposes	3	8	4	7
- share of associate's tax	(1)	(6)	(1)	(3)
- deferred tax assets not recognised	-	-	1	-
Effective tax rate	<u>4</u>	<u>16</u>	<u>6</u>	<u>21</u>

B6. Unquoted investments and/or properties

There were no disposals of unquoted investments or properties during the period under review.

B7. Quoted and marketable investments

(a) Details of purchases and disposals of quoted securities are as follows:

	Individual Quarter		Cumulative Quarter	
	30-June-07	30-June-06	30-June-07	30-June-06
	RM'000	RM'000	RM'000	RM'000
Purchases (at cost)	10,350	5,000	3,250	5,000
Sale proceeds	-	-	-	-
Gain/(loss) on disposal	-	-	-	-

(b) Details of investments in quoted securities as at the reporting date are as follows:

	RM`000
Total investments at cost	13,957
Total investments at carrying value	11,915
Total investments at market value	12,248

B8. Status of corporate proposal

Scomi Group Berhad

(a) Utilisation of Proceeds from RM630 million Murabahah Notes

On 14 December 2006, KMCOB Capital Berhad, a wholly owned subsidiary of the Company, issued RM630 million nominal value Murabahah Notes. The utilisations of the proceeds from date of drawdown to 30th June 2007 are as follows:

Purpose	Proposed Utilisation RM '000	Actual Utilisation RM '000	Intended Timeframe	Deviation		Note
				RM '000	%	
Settlement of SGB's Bonds	250,000	250,000	End December 2006	-	-	1
Repayment of Borrowings	195,000	192,051	End December 2006	2,949	1.5	1
Settlement of inter- company advances	50,000	42,889	End January 2007	7,111	14.2	1
Issuance expenses, working capital & Capex for KMCOB Group	135,000	106,685	End December 2007	28,315	21.0	
	<hr/> 630,000	<hr/> 591,625				

Note:

- 1) Actual utilisation completed within the intended timeframe and is within the estimated utilisation amount. Excess funds will be reallocated to working capital in next quarter's announcement.

(b) Proposed Divestment

On 9 March 2007, the Company announced the divestment of 19.9% in the respective classes of the share capital of Scomi Oilfield Limited ("SOL"), a direct subsidiary of the Company, to Standard Chartered Private Equity Limited for a cash consideration of USD99.50 million ("Proposed Divestment").

SOL is principally an investment holding company and was incorporated in Bermuda on 6 March 2007 as a company limited by shares under its current name. For the purpose of the Proposed Divestment, KMCOB, a direct subsidiary of the Company, has been made a wholly-owned subsidiary of SOL thru the Proposed SOL-KMCOB Restructuring detailed in note B8(c)(ii) below.

The Proposed Divestment was completed on 27 June 2007. Following the said completion, the Company now holds 80.1% equity interest in SOL whilst the remaining 19.9% equity interest is held by Standard Chartered Private Equity Limited.

Purpose	Proposed Utilisation RM '000	Actual Utilisation RM '000	Intended Timeframe	Deviation		Note
				RM '000	%	
Repayment of Borrowings	261,220	257,991	End June 07	3,229	1.2	1
Future working capital and expenses	90,015	30,087	April 2009	59,928	66.6	
	<u>351,235</u>	<u>288,078</u>				

Note :

- 1) Actual utilisation completed within the intended timeframe and is within the estimated utilisation amount. Excess funds will be reallocated to working capital in next quarter's announcement.

(c) Proposed Pianca Options Amendments and Proposed SOL-KMCOB Restructuring

On 27 April 2007, the Company announced that it proposed to undertake the following:

- (i) Proposed Pianca Options Amendments; and
- (ii) Proposed SOL-KMCOB Restructuring.

Details of the above proposals are as follows:

(i) Proposed Pianca Options Amendments

The Proposed Pianca Options Amendments essentially involves the Company transferring its existing obligations under the Pianca PCA from KMCOB level to SOL level in view of the Proposed Divestment.

The Proposed Pianca Options Amendments will be effected via the following steps:

- (a) proposed extension of the exercise period for the Pianca Tranche Two Option Shares (in respect of the 46,139 "A" KMCOB Preference Shares) from a thirty (30)-day period commencing on 1 April 2007 to a thirty (30)-day period commencing on the date of the approval of SCOMI's shareholders for the Proposed Divestment;
- (b) proposed exercise of SCOMI's call option to acquire the Pianca Tranche Two Option Shares (in respect of the 46,139 "A" KMCOB Preference Shares) and accelerate the exercise of SCOMI's call option to acquire the Pianca Tranche Three Option Shares (in respect of the 46,138 "A" KMCOB Preference Shares) within thirty (30) days after obtaining the shareholders' approval for the Proposed Divestment; and
- (c) proposed sale of 92,277 Class A preference shares of USD1.00 each in SOL ("SOL A Preference Shares") by SCOMI to Mr Pianca for USD27,552,375 and the subsequent acquisition of 92,277 SOL A Preference Shares by SCOMI from Mr Pianca via a new put and call option agreement ("Proposed New Pianca Options").

The Proposed New Pianca Options is governed by the Pianca SOL Options Agreement, which was executed between SCOMI and Mr Pianca on 27 April 2007. Pursuant to the Pianca SOL Options Agreements, SCOMI shall acquire the 92,277 SOL A Preference Shares from Mr Pianca in several tranches between 2007 and 2009.

The Proposed Pianca Options Amendments was completed on 27 June 2007 subsequent to obtaining all relevant authorities' approvals.

(ii) Proposed SOL-KMCOB Restructuring

On 27 April 2007, the Company entered into a conditional share sale agreement ("SSA") with SOL for the acquisition by SOL from SCOMI's entire shareholding in KMCOB comprising the following:

- (a) 10,512,364 KMCOB Ordinary Shares;
- (b) 968,910 KMCOB A Preference Shares;
- (c) 10,000,000 KMCOB B Preference Shares; and
- (d) 20,740 KMCOB C Preference Shares

The said acquisition by SOL shall be satisfied by SOL issuing the following shares to SGB:

- (a) 10,512,364 ordinary shares of USD1.00 each in SOL;
- (b) 968,910 SOL A Preference Shares;
- (c) 10,000,000 Class B preference shares of USD1.00 each in SOL; and
- (d) 20,740 Class C preference shares of USD1.00 each in SOL.

The Proposed SOL-KMCOB Restructuring was completed on 27 June 2007 and KMCOB became a wholly-owned subsidiary of SOL, which in turn is a wholly-owned subsidiary of SCOMI thru this same exercise.

The Proposed SOL-KMCOB Restructuring is intended to establish SOL as an investment holding company for SCOMI's current oilfield businesses and to accommodate any future expansion into other synergistic oilfield businesses.

The Proposed Pianca Options Amendments is aimed at addressing the remaining put and call options of SCOMI and Mr Pianca under the Pianca PCA in order to facilitate the Proposed SOL-KMCOB Restructuring and ultimately the Proposed Divestment. Hence, the Proposed Pianca Options Amendments merely involve the transferring of the existing put and call options on KMCOB A Preference Shares to SOL A Preference Shares, without affecting the eventual financial obligations by SCOMI to Mr Pianca.

Taken together, the Proposals are aimed at streamlining the shareholding structure of SOL to allow SCPEL's participation in the equity of KMCOB via SOL pursuant to the Proposed Divestment.

Scomi Engineering Bhd ("SEB")

(d) Proposed disposal of 500,000 ordinary shares of RM1.00 each in Scomi Transportation Solutions Sdn Bhd ("SCOTS"), representing 100% of the issued and paid-up share capital of SCOTS, for a total consideration of RM3.8 million, to ALD International Group Holdings GmbH ("ALDI")

On 20 March 2007, SEB had entered into a Share Sale Agreement to dispose of 500,000 ordinary shares of RM1.00 each in Scomi Transportation Solutions Sdn Bhd, representing 100% of the issued and paid-up share capital of the company, for a total sale consideration of RM3.8 million to be satisfied in cash ("Proposed Disposal"). SCOTS has a wholly-owned subsidiary, Asian Rent-A-Car Sdn Bhd (known as the "SCOTS Group").

On 9 July 2007, SEB entered into a novation agreement with ALDI and ALD Automotive Sdn Bhd ("ALDA") ("Novation Agreement") pursuant to the Share Sale Agreement between ALDI (as the purchaser) and SEB (as the vendor) dated 20 March 2007 ("Novation").

The salient terms of the Novation Agreement include all rights, liabilities and obligations whatsoever of ALDI under the Share Sale Agreement be novated, assigned and transferred to, and vested in ALDA .

The parties to the Novation agreed to vary the Share Sale Agreement and amended the definition of the "Cut-Off-Date" to mean the date falling six (6) months from 20 March 2007, being the final date for obtaining all the necessary approvals and fulfilling the necessary conditions, subject to such extension as the parties may mutually agree.

The Proposed Disposal is conditional upon, amongst others, the fulfillment of the following conditions:

- (i) the approval of the Foreign Investment Committee;
- (ii) the approval of the shareholders of the Company (if required) for the disposal of the shares;
- (iii) approval and consent of the financiers of the Group (if required);
- (iv) the regulatory authorities issuing the licences and/or permits to the Group to conduct the business; and
- (v) any other regulatory authorities.

Approval of the Foreign Investment Committee was obtained on 1 August 2007.

The completion of the sale is also subject to the net equity in the SCOTS Group on completion date being at least zero or in the event the net equity is negative, the Company shall reimburse SCOTS an amount sufficient so that the net equity is at least zero.

(e) Proposed share premium reduction

On 23 February 2007, SEB announced that it intends to reduce its share premium account pursuant to Section 64 of the Companies Act, 1965 by up to RM35.883 million, and utilise the credit arising therefrom to reduce the accumulated losses of the company.

The Proposed Share Premium Reduction was approved by SEB’s shareholders at the Extraordinary General Meeting held on 21 June 2007 and is now subject to the sanction of the High Court of Malaya.

B9. Group borrowings (Secured)

The group borrowings as at the end of the reporting period are as follows:

<u>Group Borrowings</u>	RM'000
Short-term Borrowings	125,614
Long-term Borrowings	<u>894,715</u>
	<u><u>1,020,329</u></u>

The group borrowings are denominated in the following currencies:

	RM'000
Ringgit Malaysia	908,367
US Dollar	61,005
Sterling Pound	36,097
Canadian Dollar	14,580
Singapore Dollar	66
Australia Dollar	104
Others	<u>110</u>
Total	<u><u>1,020,329</u></u>

B10. Off balance sheet financial instruments

Financial Instruments

During the quarter under review, the Group has some Cross Currency Interest Rate Swaps (CCIRS) which qualifies for hedge accounting for the Group’s exposure to foreign exchange on its RM630million Murabahah Notes. The face or contract amount of the CCIRS entered todate amounts to RM613.5million, with the respective maturity dates as follows:

RM'million	Maturity Date
150.0	31.12.2010
150.0	31.12.2011
160.0	31.12.2012
<u>153.5</u>	31.12.2013
<u>613.5</u>	

Credit and Market Risk

The credit risk to the CCIRS is the credit risk of the financial institution, being the counterparty of the CCIRS, although such risk is remote given that the CCIRS are executed with creditworthy financial institution. The market risk of the CCIRS consists of interest rate risk and foreign currency exchange risk which are offset by the corresponding risks of the financial instrument itself.

Security

The swap providers of the CCIRS will share the same security as that given to the bond holders.

There is no additional collateral requirement for the CCIRS.

Accounting Policy

The accounting policy on recognition of derivative instruments is consistent with those adopted in the annual financial statements for the year ended 31st December 2006.

B11. Change in material litigation

Neither the Company nor any of its subsidiaries is engaged in any litigation or arbitration, either as plaintiff or defendant, which has a material adverse effect on the financial position of the Company or any of its subsidiaries and the Board does not know of any proceedings pending or threatened, or of any fact likely to give rise to any proceedings, which might materially and adversely affect the position or business of the Company or any of its subsidiaries.

B12. Proposed Dividend

The Directors had recommended a final ordinary dividend in respect of the financial year ended 31 December 2006 of 15% per share, less income tax of 27%, amounting to a dividend payable of approximately RM11,088,537 (2005: 12% less income tax of 28%, amounted to RM8,613,015). The proposed final dividend was duly approved by shareholders at the Annual General Meeting dated 22nd June 2007. Entitlement to the dividend will be determined on the basis of the record of depositors as at 24 August 2007, and payable on 20 September 2007.

The Directors have also proposed the payment of an interim dividend of 7.5%, less income tax of 27%, amounting to approximately RM5,544,269 (2006: nil) in respect of the financial year ending 31 December 2007. The dividend will be paid on 31 October 2007 to shareholders whose names appear in the Register of Members and Record of Depositors on 2 October 2007.

B13. Earnings per share

	Individual Quarter		Cumulative Quarter	
	30-Jun-07	30-Jun-06	30-Jun-07	30-Jun-06
Basic earnings per share				
Net profit attributable to shareholders (RM'000)	171,048	20,013	197,100	36,082
Weighted average number of shares in issue ('000)	1,003,613	998,665	1,002,905	996,522
Basic earnings per share (sen)	17.04	2.00	19.65	3.62
Diluted earnings per share				
Net profit attributable to shareholders (RM'000)	171,048	20,013	197,100	36,082
Weighted average number of shares in issue ('000)	1,003,613	998,665	1,002,905	996,522
Dilutive effect of unexercised share option (RM'000)	29,627	31,749	29,626	31,754
	1,033,240	1,030,414	1,032,531	1,028,276
Diluted earnings per share (sen)	16.55	1.94	19.09	3.51

B14. Authorised for Issue

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 15 August 2007.